

THE JACOBS REPORT

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MICHIGAN FLAGS TO FLY AT U.S. BASES IN IRAQ **JACOBS AND CONDINO PROVIDE FLAGS FOR SOLDIERS**

Sen. Gilda Jacobs (D-Huntington Woods) and Rep. Paul Condino (D-Southfield) are providing six Michigan flags to Army reservists currently stationed in Iraq. The reservists representing four Michigan reserve units have been in Iraq about 60 days. The typical deployment is 18 months. The request came through the 645th Area Support Group in Southfield Michigan for four units representing approximately 900 Michigan reservists.

“We understand that these state flags are very important to deployed soldiers,” Sen. Jacobs said. “It’s an opportunity for them to show their state pride by displaying the Michigan flag on their base. And it’s a way for us to remind these men and women that we think about them, we’re so proud of their service, and we pray for their safe return.”

“These flags are just a token of our appreciation of these fine soldiers for protecting us and our families,” Rep. Condino said. “Words cannot express our gratitude for their service.”

HIGH TAXES/LOW EXPECTATIONS HOLD ECONOMY HOSTAGE

In public testimony, economist Patrick Anderson of Anderson Economic Consulting told the Senate Finance Committee that excessive business tax levels and overall low educational expectations are dragging down the state’s economy.

“We tax businesses more severely than just about anybody else,” Anderson said. “Second, as we plan for the future and we look at the auto industry and there are jobs like life sciences with high growth, high wage jobs — they require knowledge just to get into the door. If our state can’t provide students that can pass the state test we’re headed for disaster.”

Anderson pointed out that the state’s unemployment rate during the 1970s and 1980s , when it was almost always one to three percentage points above the national average.

In the 1990s he argues, the state took steps to reduce its tax burden and for the first time the state’s unemployment rate fell below the national average. But then other states took action and reduced their tax burdens. Michigan continued to lag behind because of its dependence on the auto industry, coupled with its personal property tax on small business. Anderson noted that few other states impose a business personal property tax.

On the educational front, Anderson pointed out that between 1994 and 2003, enrollment in the state's schools increased by 5 percent. Price inflation increased during that same period by 17 percent.

"So you'd expect that if you'd have five percent enrollment increase and 17 percent price increase you'd think if you'd received a 25 percent increase you'd be giving them about the same resources," Anderson said. "We gave them 54 percent."

The economist also pointed out that during that same period, new school construction exploded by 196 percent.

"The question is this for our economy: are we getting the results?" Anderson asked. He then noted that the State Board of Education sets the official state policy. Currently that board, he argues, holds that acceptable state progress is one half of the state's students passing the state test.

"If we can't produce high school graduates that can pass the state test, they're not even in the running [for these new jobs]," Anderson said.

Senator Liz Brater (D-Ann Arbor) pointed out that Gov. Jennifer Granholm's Single Business Tax plan did address the business tax issue—particularly the personal property tax.

"I've said this is a Michigan problem, not a Michigan governor's problem," Anderson said, stressing that the current situation had evolved over a long period of time.

GOVERNOR GRANHOLM ENDS NO-BID CONTRACT SYSTEM COMPETITIVE PROCESS HAS ALREADY SAVED \$156 MILLION

Governor Jennifer M. Granholm issued an executive directive requiring competitive bidding by the Department of Management and Budget (DMB) for the purchase of all goods and services by state government.

The directive caps a two-year effort by the administration to reduce "no-bid" and "sole-source" contracts, which has resulted in savings of \$156 million. No-bid and sole-source contracting practices had been used for many years by prior administrations.

"During tough economic times, we must ensure the state is getting the most out of every dollar it spends when it comes to taxpayers dollars," Granholm said. "Eliminating no-bid contracts is another important step in the process of creating a leaner, more efficient state government."

Prior to 2003, 20 percent of state contracts were let without bidding. In 2002 alone, the State of Michigan spent \$600 million on no-bid contracts. In just two years, the Granholm administration has reduced no-bid contracts to less than 2 percent of all state contracts. By submitting 631 contracts to competitive bids, the State has saved more than \$156 million, an average of \$240,000 per contract.

“When contractors compete for state business, taxpayers win,” Granholm said.

Executive Directive 2005-3 is aimed at eliminating the State’s remaining no-bid contracts to create additional savings for Michigan taxpayers and establish a more effective bidding process for state contracts.

Examples of money saved by competitively bidding contracts since January 1, 2003, include:

- \$1 million on Medicaid audits, by switching from a company based in Kentucky to a Michigan-based company;
- \$12 million on state computer hardware and software, nearly doubling the discount the State receives on desktop computers;
- \$96 million on Michigan child support enforcement system maintenance and child support payment disbursement;
- \$8 million on diapers and pull-ups used by seniors and other Medicaid recipients, a savings of 36 percent per diaper; and
- \$21 million on state educational achievement tests, with the prior vendor used by the State bidding 248 percent more than the new winning vendor.

The directive provides the following exemptions for procurement of goods and services, including those necessary for the protection of public health or safety; for emergency repair caused by unforeseen circumstances necessary to protect life or property; in response to a declared state of emergency or disaster; and those with a value less than \$25,000 by departments or agencies using delegated purchasing authority and a purchasing process designed to assure fair and reasonable prices.

The State already uses 100 percent competitive bidding for all of its 225 MiDEAL contracts, a value of \$528 million. The MiDEAL program allows the State’s Office of Acquisition Services to extend its services to any city, village, county, township, school, nonprofit hospital, or institute of higher education.

The directive, which will be enforced by the Department of Management and Budget and the State Administrative Board, is effective April 30, 2005.

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/>.

State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov

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